

Ways and Means Subcommittee on Select Revenue Measures
April 26, 2012 - Hearing on Certain Expiring Tax Provisions
Statement for the Record in Support of Extending Section 181 of the Internal Revenue Code
May 10, 2012

I submit this statement in support of extending section 181 of the Internal Revenue Code. Section 181 allows investors immediately to write off for tax purposes the first \$15 million of costs associated with certain film and television productions instead of having to deduct small portions of the cost throughout a number of years. A film only qualifies for a deduction under section 181 if 75 percent of the total compensation of the production is compensation for services performed in the United States by actors, directors, producers, and other relevant production personnel.

Section 181 was enacted to help counteract the generous wage and other subsidies put in place by other countries (beginning in the 1990s), which were designed to attract U.S. productions to their country. Typically, these foreign subsidies are conditioned on hiring local “below the line” technicians and other skilled workers. The attractiveness of these subsidies resulted in the loss of high-paying American jobs. In 2004, Congress recognized the need to combat these subsidies and the resultant runaway productions, and provided favorable depreciation to encourage domestic productions under section 181 of the Tax Code.

While California may be the home of the major film entertainment studios, productions occur in all 50 states. A major motion picture production on location contributes \$225,000 every day to the local economy. This industry is also a critical engine for economic development in Louisiana. Louisiana now has 15 soundstages and we are ranked third in the country for film and television production. Recent major motion pictures such as *G.I. Joe: Retaliation*, *Jeff Who Lives at Home* and *Battleship* listed on the section 181 schedule are estimated to have produced over 3500 jobs in Louisiana.

Major productions like these, not only create high-paying film jobs, but also generate revenue and jobs for a range of local businesses, such as caterers, dry cleaners, lodging, equipment rental, transportation vendors and many others. The majority of these local businesses employ 10 people or less.

Extending section 181 will continue to promote capital investment and production in the U.S. This is important to help sustain growth in domestic film production which is a strong contributor to growth in the overall economy. I believe that encouraging domestic film production will continue to have ripple effects in local economies nationwide. As a result, I support extension of section 181.